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S E C R E T SECTION 01 OF 04 MUSCAT 000776

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SUBJECT: SCENESETTER FOR ASSISTANT SECRETARY OF DEFENSE
MARY BETH LONG'S VISIT TO OMAN (NOVEMBER 14)

Classified By: Ambassador Gary A. Grappo for Reasons 1.4 (b, d)

11. (C) As one of our oldest friends in the region (the Omanis refer to their relationship with us as "strategic"), the Sultanate remains a trusted U.S. partner. This year marks the 175th anniversary of the U.S.-Oman "Treaty of Amity and Commerce," second oldest in the Middle East and North Africa. Yet, while we enjoy close relations with Oman, we do not see eye-to-eye on all matters, most notably Iran. We hope that your brief visit here will help maintain our already strong relationship while increasing opportunities for further cooperation on bilateral and regional issues.

Oman-Iran Overview

12. (C) Devoid of outstanding territorial claims or other divisive issues, Oman probably enjoys the best relations with Iran of any GCC state. The government in Muscat has long placed a premium on preserving amicable ties with its northern neighbor and is especially careful not to antagonize the regime in Tehran. Omani Minister Responsible for Foreign Affairs Yusef bin Alawi visits Iran on a semi-regular basis; a senior Omani delegation led by the Deputy Prime Minister traveled to Tehran in April 2008 to reciprocate the visit of Iranian President Ahmadinejad to Muscat in May 2007. The Omani police and military maintain open channels of communication with their Iranian counterparts on matters such as the smuggling of illegal migrant workers to Oman through Iranian waters, and Iranians and Omanis invite one another to observe each other's military exercises.

13. (C) Despite the value Oman places on keeping good relations with Tehran, it has at the same time been careful to keep a comfortable distance from its Persian neighbor. Apart from a few subjects, the Oman-Iran relationship has largely been non-substantive with little in the way of meaningful cooperation. Bilateral economic ties and trade remain limited and Oman's security establishment continues to vet Iranian visa applicants with a watchful eye. Oman's strategic relationship still clearly lies with the United States (and the U.K.), and it regularly shares its insights and observations concerning Iran with us. Omani officials also advocate in Tehran for a more conciliatory approach towards the West. Oman's small Shi'a population (less than 5%) has little affiliation with Iran.

14. (C) There are indications, however, that both Oman and Iran are proactively trying to strengthen their bilateral relationship. Iran as of late is pushing to bolster ties with Oman through increased tourism, trade and investment and has even attempted to raise the level of mil-mil cooperation. For its part, the Omani government has given the green light for a growing number of official Iranian visits and has

reciprocated with high-level visits to Iran of its own. Fearful of a regional conflict with Iran into which it might be drawn and also perceiving a regime in Tehran emboldened by recent events, Oman may be acting to establish a separate identity from that of the rest of the GCC and to demonstrate, therefore, that Iran has nothing to fear from Oman.

Oman's Quest for Iranian Gas

¶5. (C) A more certain factor in Oman's current approach towards Iran is natural gas. With a major share of its domestic gas production committed to long-term liquefied natural gas (LNG) export contracts, Oman urgently needs large quantities of gas to fuel its ambitious industrial development plans. The government accordingly considers the acquisition of new gas supplies to be a vital national security issue and, after extensive review of alternatives, sees Iran as the only realistic supplier.

¶6. (C) Oman signed a Memorandum of Understanding (MOU) in April 2008 on the joint development of Iran's off-shore Kish gas field and continues difficult and protracted negotiations with Tehran on the terms of a final deal. Oman reportedly is prepared to invest at least seven billion dollars to develop the field and build an undersea pipeline, but is frustrated with unreasonable Iranian demands on gas pricing and other issues. In sharing our concerns over the proposed deal, the Embassy has reminded the Omanis of the unreliability of Iran as an energy supplier, as it could shut off a gas pipeline at any time and for any (or no) reason. We have also emphasized that a major gas deal with Iran could undermine attempts by

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the P5 plus 1 to reach an agreement with the Tehran regime on the Iranian nuclear program. Finally, we have reminded the Omanis of our own concerns under Iran sanctions legislation were a deal to be reached.

Differing Views on Iran

¶7. (C) Oman's leadership recognizes and shares U.S. concerns about Iran's nuclear activities and the significantly increased instability a nuclear-capable Iran would mean for the region. Omanis are also anxious about Tehran's meddling and trouble-making in other states and its opposition to efforts to end the Israeli-Palestinian conflict. Moreover, the January 2008 incident between Iranian Revolutionary Guard Corps (IRGC) and U.S. naval vessels in the Strait of Hormuz highlighted to Omani officials the vulnerability of this strategic chokepoint to unpredictable Iranian behavior.

¶8. (C) Despite these shared concerns, Oman's views on how to respond to Iranian actions continue to diverge from our own. Senior Omani government officials repeat their advice that sanctions against Iran are counter-productive and only strengthen hard-line attitudes in Tehran. They instead urge us to initiate direct talks with Tehran without preconditions as the best way to mitigate Iranian threats. Leaders in Oman's military and security services, however, including the Sultan's top security official and advisor, take a more pragmatic and hard-line view about the dangers posed by Iran than their civilian counterparts, who are more apt to downplay Iran's destabilizing activities and to dismiss threatening statements from Iranian officials as just political rhetoric intended for domestic consumption.

Iraq

¶9. (C) The Omani leadership remains concerned with Iraq's future and the possibility that extremist and sectarian violence in Iraq could spill over into other states in the region. Though encouraged by the improvement in security in Iraq brought on in part by the U.S. troop surge, Omani

government officials continue to harbor doubts about the reliability of Iraq's leadership and whether it can effectively control the country. Senior Omanis also have concerns about Iraqi Prime Minister Maliki's interest in and capability for pursuing reconciliation with Sunni leaders, which they see as critical to ending the violence in Iraq. The Sultan and his senior military officers back a continued U.S. military presence in Iraq until security is established and Iraqi forces and police are able to preserve stability.

¶10. (S) Sultan Qaboos told the Ambassador this spring that he recognizes that Oman and other Arab states should "do more" to support the Iraqi government, although he declined to re-open Oman's embassy in Baghdad due to security concerns. (Note: Senior MFA officials continue to rebuff our requests to establish a diplomatic presence in Baghdad or name an ambassador to Iraq, although they insist this is due solely to security, versus political, reasons. Iraq maintains an embassy and resident ambassador in Muscat. End Note.) In accordance with the Sultan's stance, a senior Omani economic delegation staged a three-day visit to Baghdad from June 29-July 1.

Middle East Peace

¶11. (C) The Omani government remains a quiet supporter of efforts to peacefully resolve the Israeli-Palestinian conflict based on the President's two-state vision. Oman endorsed and participated at the ministerial level in the November 2007 Annapolis Conference to promote Middle East peace; both Minister Responsible for Foreign Affairs Yusef bin Alawi and MFA Secretary General Sayyid Badr al-Busaidi remain in periodic contact with Israeli officials. Bin Alawi most recently met publicly with Israeli Foreign Minister Livni in April 2008 in Doha. However, Omani officials, and bin Alawi in particular, are currently very pessimistic about the possibility of the two sides striking a deal by the end of the year. They fault the U.S. for not applying sufficient pressure on Israel, but most especially fault Israel for failing to take meaningful action on settlements and offer genuine concessions to the Palestinians. However, they also recognize that Palestinian political disunity is also to blame for the lack of progress.

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Bilateral Security Relationship

¶12. (C) U.S. security and military cooperation with Oman remains strong. The U.S.-Oman Base Access Agreement, first signed in 1980 and still a cornerstone of our bilateral security relationship, is up for renewal in 2010. The U.S. will ask to expand its scope to include the growing Port of Sohar in northern Oman, as well as the new al-Musanah airbase (close to Sohar) to help compensate for the phased closure of military facilities at Muscat International Airport (MIA). U.S. AFCENT hopes to build a new War Reserve Materiel (WRM) site at al-Musanah to house equipment currently at MIA.

¶13. (S/NF) Oman has supported virtually all access, basing and over-flight requests we have made. NAVCENT is increasing the number of port calls to the Sultanate, including liberty visits and logistical re-supply visits. However, Oman has curtailed U.S. naval vessels into Muscat for economic-related reasons, and does not currently allow nuclear-powered warships to call at its ports. Earlier this year, the Ambassador informally approached Minister bin Alawi to request an exception to this policy in order to allow a nuclear-powered submarine to make a port call, which was denied.

Omani FMF and Defense Needs

¶14. (S/NF) Omani leaders remain persuaded that Iran would not attack GCC countries with missiles in response to a military strike staged in the Gulf. They see asymmetrical, terrorist operations conducted by Iran against Gulf states, including U.S. targets in these countries, as a greater danger. Consequently, the Omanis have little appetite for high price-tag Patriot missiles, but are very interested in Shared Early Warning (SEW) and seek to modernize their capability - both defensive and deterrent - to help counter what they view as more likely threats. To this end, Oman has made ATACMS/HIMARS a top priority due to its strong deterrent capability.

¶15. (C) From a high of USD 24.85 million in FY 04, the FY 08 Foreign Military Financing (FMF) budget request for Oman was reduced to USD 4.7 million. Declining U.S. FMF poses a challenge for the modernization of Oman's military, as well as for the future of U.S. weapons sales to Oman. Despite our assurances to the contrary, the Omanis question whether the reduction for FY 08 was intended as a political message. The USD 12 million FY 09 target for FMF for Oman is a significant step in the right direction, but more assistance is needed to help achieve U.S. security goals here.

Counter-Terrorism/Internal Security

¶16. (C) Oman's long coastline and relatively open borders in some inland areas remain vulnerable to smugglers, drug traffickers, and terrorists. Border control accordingly continues to be one of Oman's top priorities and a major area of bilateral cooperation with the U.S. The Royal Oman Police Coast Guard regularly detains smugglers and illegal migrant workers, usually along Oman's northern coast between Muscat and Sohar. Most of the migrant workers cross overland from South Asia to Iran where they then board ships for the Sultanate. More Somalis are allegedly attempting to enter Oman via Yemen.

Counter-Proliferation

¶17. (SBU) The Embassy works closely with Oman to prevent the proliferation of nuclear and other weapons of mass destruction (WMD) or their components. The Port of Salalah - one of the busiest transshipment ports in the world - is participating in the Department of Energy's Megaports program and is a pilot port in the Secure Freight Initiative (SFI). Through ongoing technical and financial assistance from the U.S. Departments of Energy and Homeland Security, ROP Customs is able to scan targeted containers through an Integrated Container Inspection System (ICIS) lane utilizing both x-ray and radiation detection equipment. Oman also has received equipment and technical assistance to strengthen its export control regimes under the U.S. Department of State's Export Control and Related Border Security (EXBS) program.

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